Duopharma Biotech (DBB MK)

Defensive Earnings, Bargain Valuations

- Supply chain is largely intact despite geopolitical uncertainties. Costs have risen but are highly manageable, further supported by healthy inventory levels.
- Wan Amir-Jeffery's appointment provides familiarity and strategic continuity, while the award of the human insulin contract is expected to be announced in the near term.
- Maintain BUY and target price of RM1.62. Duopharma offers highly visible defensive earnings and bargain valuations.

	BUY (Maintained)
Share Price	RM1.25
Target Price	RM1.62
Upside	29.6%

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Analysis

- **Passing the baton.** Duopharma Biotech (Duopharma) undertook a planned leadership transition in late-25, with long-serving insider Wan Amir-Jeffery Wan Abdul Majid — who has been with the group for over two decades — assuming the CEO role, succeeding Leonard Ariff Abdul Shatar under a structured succession plan. Concurrently, Rohayu Rosnani Mohd Adanan was appointed CFO, replacing outgoing Chek Wu Kong. The appointments reinforce strong continuity in strategy and execution, underpinned by deep institutional knowledge, while strengthening leadership depth to drive its next growth. Both were front and centre at the results briefing.
- **Supply chain intact amid geopolitical uncertainty.** The Middle East conflict has had limited direct impact on Duopharma's operations thus far, with raw material supply from India and China remaining stable and manageable. While packaging and API costs have seen an uptick, it is digestible with Duopharma's primary focus on supply security over cost, particularly for MoH products. Inventory buffers remain robust, comprising 3-6 months of raw materials and 2-3 months of finished goods, with an additional 1-2 months held by Pharmaniaga. This extended inventory coverage provides a meaningful buffer, offering resilience against potential supply disruptions in the near term.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	814	932	976	1030	1086
EBITDA	146	179	198	205	213
Operating profit	101	134	150	158	165
Net profit (rep./act.)	63	87	102	111	118
Net profit (adj.)	63	87	102	111	118
EPS	6.5	9.1	10.6	11.6	12.3
PE	20.0	14.3	12.2	11.2	10.6
P/B	1.7	1.6	1.7	1.3	1.6
EV/EBITDA	10.0	7.8	12.2	5.5	7.8
Dividend yield	2.4	3.6	4.3	4.6	4.9
Net margin	7.7	9.4	10.5	10.8	10.9
Net debt/(cash) to equity	35.0	26.7	40.2	35.0	26.7
Interest cover	7.1	9.5	7.9	15.5	9.5
ROE	10.1	13.6	8.7	16.3	13.6
Consensus net profit	-	-	103	108	112
UOBKH/Consensus (x)	-	-	0.99	1.03	1.06

Source: Duopharma Biotech, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Healthcare
Bloomberg ticker	DBB MK
Shares issued (m)	961.9
Market cap (RMm)	1,308.2
Market cap (US$m)	309.9
3-mth avg daily t'over (US$m)	0.2

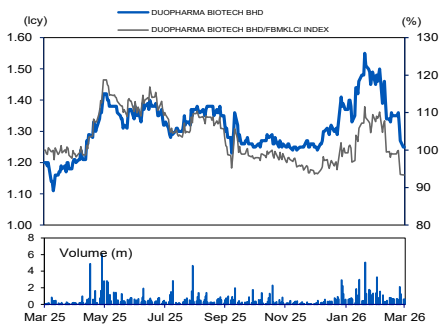
Price Performance (%)

52-week high/low				RM1.55/RM1.11
1mth	3mth	6mth	1yr	YTD
(13.1)	1.4	(4.6)	5.0	1.6

Major Shareholders %

PNB	50.9
EPF	9.0

Price Chart



Source: Bloomberg

Company Description

Duopharma is the leading pharmaceutical producer in Malaysia.

- **Human insulin contract to come.** Duopharma announced two insulin-related letter of awards (LoAs) on 16 Feb 26: a) RM52.5m over two years via tender; and b) RM65.1m human insulin over three months via direct negotiation, a bridging contract following the expiry of its previous insulin agreement in Oct 25. Management indicated that the Ministry of Health is expected to award a three-year human insulin contract within a month or so. This follows its previous human insulin contract valued at RM375m over three years, that had expired in Apr 25. There was some earlier confusion that the two-insulin-related LoAs amounted to the human insulin contract.
- **Owen Mumford partnership intact despite corporate exercise.** Recall that Duopharma's previous partnership with Impacta was terminated sometime in mid-23, removing a RM50m-60m revenue stream. Subsequently, Duopharma replaced it with Owen Mumford as a partner in 1Q24. The ramp-up has been gradual, with 2025 sales gaining traction and expected to normalise into a steady BAU run-rate for 2026. Management indicated that Owen Mumford's planned acquisition by Embecta Corp (around £150m, expected completion by 3Q26) will not disrupt the existing partnership with Duopharma.
- **ESG developments.** Duopharma advanced its ESG agenda in 2025 by completing its mid-term ESG strategy, conducting double materiality assessments, and strengthening climate risk analysis aligned with IFRS S2. It also established a water management framework and assessed key suppliers. ESG scores remained strong at 4.1, supported by sustained governance and social performances. For 2026, its focus will shift to executing long-term ESG targets, refining net zero transition plans, enhancing climate disclosures, and reducing single-use plastics, while maintaining FTSE4Good inclusion.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM1.62.** We continue to like Duopharma for its defensive and domestically-driven growth and as a forex tailwind beneficiary. Our PE peg of 15.3x is based on Duopharma's -0.5SD to its seven-year average mean PE, a switch from 14.7x based on the company's pre-pandemic mean. Now that valuations have normalised since the pandemic, we have opted for valuations to reflect a full business cycle.

Earnings Revision/Risk

- **No changes to earnings.** Key risks include single customer concentration (50% of Duopharma's sales are from the government) and the strengthening of the US dollar.

Share Price Catalyst

- **Net beneficiary of ringgit strength.** Duopharma has left its net US dollar exposure unhedged for this year. Net of its export sales, which act as a natural hedge, the company's 2025 earnings sensitivity to US$/RM is +0.3% for every 1.0% depreciation in the US dollar, based on our estimates. We have assumed a forex rate of US$3.90/RM for 2026.

Environmental, Social, Governance (ESG)

Environmental

- Material management. Duopharma aims to replace 50% of single-use plastics throughout its operations with biodegradable plastics by 2026. Duopharma also aims to be carbon neutral by 2030 and achieve net zero carbon emissions by 2050.

Social

- Diversity and inclusion. Women made up 47.6% of its total workforce as at end-22, as compared with 47.2% at end-21.

Governance

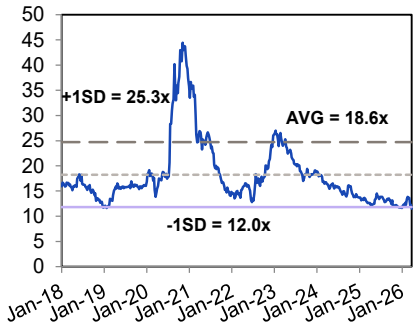
- Board balance and composition. 60% of its board members are independent directors.

Assumptions

	2025F	2026F	2027F
Revenue (RMm)	976	1030	1086
Local gov. (RMm)	477	492	507
% of revenue	49%	48%	47%
Local private (RMm)	451	482	516
% of revenue	46%	47%	48%
Export (RMm)	48	55	62
% of revenue	7%	5%	6%
	2025F	2026F	2027F
PAT (RMm)	102	111	118
Growth yoy (%)	16.5%	8.4%	6.5%
3-yr CAGR (%)	19.2%	20.8%	10.4%
Gross profit margin (%)	39.8%	41.1%	41.1%
PAT margin (%)	10.4%	10.7%	10.8%

Source: UOB Kay Hian

Seven-Year Forward PE Band



Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	932	976	1030	1086
EBITDA	179	198	205	213
Deprec. & amort.	46	48	47	48
EBIT	134	150	158	165
Total other non-operating income	0	1	1	1
Associate contributions	0	0	0	0
Net interest income/(expense)	-19	-19	-16	-14
Pre-tax profit	115	131	142	151
Tax	-27	-28	-31	-33
Net profit	87	102	111	118
Net profit (adj.)	87	102	111	118

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	554	536	519	501
Other LT assets	75	70	70	70
Cash/ST investment	291	376	406	460
Other current assets	529	497	524	553
Total assets	1448	1479	1520	1585
ST debt	147	137	132	127
Other current liabilities	167	177	186	197
LT debt	345	325	305	305
Other LT liabilities	31	31	31	31
Shareholders' equity	758	809	864	923
Total liabilities & equity	1448	1479	1520	1585

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	107	191	134	140
Pre-tax profit	115	131	142	151
Tax	-27	-28	-31	-33
Deprec. & amort.	-46	-48	-47	-48
Associates	0	0	0	0
Working capital changes	-57	46	-17	-18
Other operating cashflows	21	-5	-6	-8
Investing	-27	-25	-24	-22
Capex (growth)	-27	-30	-30	-30
Proceeds from sale of assets	0	0	0	0
Others	0	5	6	8
Financing	-54	-81	-81	-64
Dividend payments	-34	-51	-56	-59
Issue of shares	0	0	0	0
Proceeds from borrowings	58	0	0	0
Loan repayment	-78	-20	-20	0
Others/interest paid	-1	-10	-5	-5
Net cash inflow (outflow)	25	85	30	54
Beginning cash & cash equivalent	265	291	376	406
Changes due to forex impact	1	0	0	0
Ending cash & cash equivalent	291	376	406	460

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	19.3	20.3	19.9	19.6
Pre-tax margin	12.3	13.4	13.8	13.9
Net margin	9.4	10.5	10.8	10.9
ROA	6.0	6.9	7.3	7.5
ROE	11.6	12.9	13.1	13.0
Growth				
Turnover				
EBITDA	14.5	4.7	5.5	5.4
Pre-tax profit	22.8	10.4	3.5	3.8
Net profit	43.6	13.9	8.6	6.2
Net profit (adj.)	39.6	17.1	8.6	6.2
EPS	39.6	17.1	8.6	6.2
Leverage	39.6	17.1	8.6	6.2
Debt to total capital				
Debt to equity				
Net debt/(cash) to equity	34.0	31.3	28.8	27.3
Interest cover	65.1	57.2	50.7	46.9

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